

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No.: AG-RR-62 (Common)

Please provide the assumptions that went into the creating of the PBOP actuarial report. See Attachment 1 to AG-1-48 (Common Discovery). Please include the calculations, the balances, the analysis used by the company to determine the FAS 106 accrual similar to what we have done for the pensions. See also Exhibit FGE-MHC-2D (electric) and Exhibit FGE-MHC-2C (gas).

Response:

The Actuary's calculations and assumptions are provided as Attachment AG-RR-62.

Person Responsible: Mark H. Collin

GEORGE BERAM & COMPANY, I
Actuaries and Employee Benefit Plan Consultants

September 6, 2002

Via Facsimile

Mr. George E. Long, Jr.
Director of Administrative Services
Unitil Service Corp.
Six Liberty Lane West
Hampton, NH 03842-1720

Re: FAS106 Net Periodic Postretirement Benefit Cost

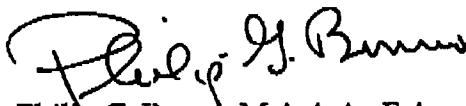
Dear George:

Attached is Exhibit A detailing the determination of the fiscal 2002 FAS106 Net Periodic Postretirement Benefit Cost of \$119,005 contained in our original letter of March 13, 2002 for the twelve months of medical coverage provided by Unitil to employees following retirement.

Also enclosed is Exhibit B, which sets out the assumptions used to determine the expense.

Please call if you have any questions.

Very truly yours,



Philip G. Bruno, M.A.A.A., E.A.
Executive Vice President

Enclosures

cc: C. Cassidy

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GEORGE BERAM & COMPANY, INC.

Unitil Service Corporation

A. Determination of Net Periodic Postretirement Benefit Cost for Fiscal 2002

1. Service Cost

a. Service Cost as of beginning of year:	\$	47,894
b. Interest to end of year: (a) X 0.0725		3,472
c. Total: (a)+(b)	\$	51,366

2. Interest Cost

a. Accumulated Projected Benefit Obligation as of beginning of year:	\$	644,471
b. Expected benefit payments during year, weighted for timing:		6,496
c. Interest cost: [(a)-(b)] X 0.0725	\$	\$46,253

3. Amortization of Transition Obligation: \$ 21,386

4. Amortization of (Gain)/Loss from B(8) below: \$ 0

5. Net Periodic Postretirement Benefit Cost for Fiscal 2002:
(1c)+(2c)+(3)+(4) \$ 119,005

B. Development and Amortization of Gain/Loss as of December 31, 2001

1. Accumulated Projected Benefit Obligation, 1/1/2002:	\$	644,471
2. Unrecognized Transition Obligation, 1/1/2002:	\$	235,298
3. (Accrued)/Prepaid Benefit Cost, 1/1/2002:	\$	(398,646)
4. (Gain)/Loss as of December 31, 2001: (1)-(2)+(3)	\$	10,527
5. 10% Corridor: 10% X (1)	\$	64,447
6. (Gain)/Loss subject to amortization: absolute value of (4) minus (5), not less than zero:	\$	0
7. Average future service of participants expected to receive benefits:		17 years
8. (Gain)/Loss amortization for fiscal 2002: (6)/(7)	\$	0

GEORGE BERAM & COMPANY, INC.

Unitil Service Corporation**Actuarial Assumptions for FAS 106
Net Periodic Postretirement Benefit Cost**

Discount Rate 7.25%

Employee Termination

Termination Rate

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	9.9%	14.9%
30	6.9%	9.9%
35	4.9%	6.9%
40	2.8%	4.9%
45	1.7%	2.8%
50	0.4%	1.7%
55	0.0%	0.4%

Retirement Age

Rates of Retirement

<u>Age</u>	<u>Rate</u>
55-59	2.0%
60	10.0%
61	5.0%
62	50.0%
63-64	7.5%
65	100.0%

Incidence of Disability

1985 Wyatt Company Table of Incidence.
Sample rates as follows:**Disability Rate**

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	.093%	.096%
40	.310%	.357%
45	.505%	.522%
50	.830%	.854%
55	1.502%	1.490%

*(Disabled life mortality rates are taken from the
1985 study also.)*

GEORGE BERAM & COMPANY, INC.

Unitil Service Corporation**Actuarial Assumptions for FAS 106
Net Periodic Postretirement Benefit Cost**

Assumed Annual Net Incurred Claims:	Pre-Age 65	\$3,086
	Post-Age 65	\$3,225

Assumed Medical Trend Rates:	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
	2002	11.0%	2011	6.0%
	2003	10.0%	2012	5.75%
	2004	9.5%	2013	5.5%
	2005	9.0%	2014	5.25%
	2006	8.5%	2015	5.0%
	2007	8.0%	2016	4.75%
	2008	7.5%	2017	4.5%
	2009	7.0%	2018	4.25%
	2010	6.5%	2019 and later	4.0%

Benefits Valued: One year of Postretirement Medical Benefits was valued. Active participants as of the valuation date were included in the liability determination.

Spousal Coverage: 100% of employees are assumed to elect spousal coverage upon retirement.